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C O N F I D E N T I A L SECTION 01 OF 05 MANAGUA 000583

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DEPT FOR WHA A/S THOMAS A. SHANNON, WHA/CEN

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SUBJECT: THE SANDINISTA GOVERNMENT 60 DAYS OUT - AND OUR
RESPONSE

REF: MANAGUA 0357 AND PREVIOUS

Classified By: Ambassador Paul A. Trivelli. Reasons 1.4 (B,D).

¶1. (C) Summary: The FSLN administration is fast reverting to its improvisation, secrecy, and centralization of the 1980's, forging an operating style more appropriate for a revolutionary junta than a modern, democratic state. President Ortega appears determined to consolidate his power, circumventing legislative restrictions and disregarding the constitution to achieve his objective. Left unchecked, Ortega will likely lead Nicaragua along the path of Venezuela. We need to take decisive action and well-funded measures to bolster the elements of Nicaraguan society that can best stop him before he lulls the majority of the Nicaraguan people into complacency, or threatens them into silence. Without our support, our democratic-minded friends may well falter. To keep our place at the table and help Nicaraguans keep their country on a democratic path, we recommend making an additional investment of about \$65 million over the next four years. End Summary.

Off to a Bad Start

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¶2. (C) With only two months in power, the FSLN administration of Daniel Ortega is fast reverting to its improvisation, secrecy, and centralization of the 1980's -- forging an operating style more appropriate for a revolutionary junta than a modern, democratic state. Starting with the January 10 inauguration ceremony, itself marred by disorganization, shoddy planning, and tardiness, the Ortega government's style has been strictly characterized by heavy symbolism, glaring inconsistencies, and a double discourse that over the long run will be untenable. Presidential meetings are taking on a Fidel-like aura, often late-night affairs in a room dominated by a huge mural depicting a psychedelic, all-seeing eye gazing from an out-sized human palm. Ministers generally confirm appointments only at the last possible minute and are often knocked off their agendas by calls from the "Comandante."

¶3. (C) Our sources tell us that all government decisions are being made by a very small cabal at the top of the pyramid -- Ortega himself, his wife, and at times economic guru Bayardo Arce (although there have been some signs that his influence may be fading), former state security chief Lenin Cerna, and national security adviser Paul Oquist. First Lady Rosario Murillo personally controls the PR budget for all branches of the executive and signs off on all foreign travel. The new

government loathes transparency; the President railed against the press for printing summaries of agreements reached with Venezuela and Iran and the government's communications strategy. Sandinista lawmakers have sponsored a change in the criminal code to make illegal the publicizing of private communications. Simple internal administrative memoranda are marked confidential, and woe to the Ministry that leaks or loses any such missives. The inner circle consists largely of clandestine operators -- paranoid cave dwellers who are afraid of the light and openness. Transparency is their worst enemy.

The Cabinet - The Fourth String Takes the Field

14. (C) We have systematically met with all the new ministers and many independent agency heads. Our overtures have generally been met by some reserve, but always with typical Nicaraguan courtesy and form. Our impression is that the new crew has been completely taken aback by the depth and diversity of our assistance relationships with the GON at all levels. It is also clear that most of the ministers have little background in their respective portfolios, and were likely chosen for their loyalty and malleability. For example, the Minister of Environment is a cranial reflexology practitioner and a sociologist, and the new Minister of Finance previously served as a junior researcher in the Central Bank before ascending to his current position. Those who do have some technical expertise, such as the new Minister of Transport and Infrastructure, seem to enjoy little influence or connections to the inner circle.

Eating away at Democracy and the Market Economy

15. (C) Even more troubling is the new government's largely successful attempts at chipping away at the country's democratic institutions and market economy. While in public and private, Ortega claims to embrace democracy and private enterprise, his "double discourse" speaks volumes about his real intentions -- "Popular" or "direct democracy" really means creating new councils whose membership he controls; "investment" really means economic control of all profitable ventures by his allies.

16. (C) Before assuming office, Ortega engineered a new National Assembly Ways and Means Law that forces Nicaraguan or foreign citizens residing in the country to appear for hearings or possibly face prison. Independent media and opposition contacts fear this provision could be used to intimidate and induce self-censorship. In many respects, the independent media have borne the brunt of the Ortega administration's attacks thus far, including reducing government publicity to opposition-associated media, blocking their access to government information and events, and threatening to eliminate import exonerations for newsprint and other materials and equipment.

17. (C) In the same vein, Ortega rammed through revisions to the Executive Authority Law (Law 290) only days after his inauguration, allowing him to establish his prized national councils. Although the final revisions did not authorize the new councils to oversee the ministries or receive a share of the national budget, as Ortega had sought, the President has circumvented these limitations by establishing additional presidential secretariats to channel the funding to the councils. A defiant Ortega brazenly announced in a speech commemorating the Sandinista insurrection against the Somoza regime his plans to ignore the National Assembly. Possibly emboldened by his high poll ratings, Ortega declared to the audience that the "president is the people" and told the faithful that his ministers will take their instructions from the councils and "defend the people."

Power is the Prime Directive

18. (C) Ortega also seems to be systematically co-opting, and

if this tact fails, castigating, those few sectors of society which could conceivably oppose him. He has cursed the press for not paying its fair share of taxes and lambasted them for maligning his wife, insisting she will occupy any position in the government she desires. He has wagged his finger at the National Assembly saying that it must take heed and obey the will of the People's Councils. When PLC lawmakers question him, Ortega hints he will incarcerate former President/convicted embezzler Arnoldo Aleman. He has threatened to "control" NGO's. Even his once gentle touch with the private sector is on the wane: following his latest infusion of Chavez moxy, Ortega threatened to cancel the concession of a geothermal energy firm linked to COSEP President Kruger and several foreign investment groups, including some from the United States. He has weakened ministerial (i.e., civilian) control over the police and the army. In short, he is running through the Chavez playbook at break-neck speed.

¶9. (C) Left-leaning daily El Nuevo Diario's March 5 think-piece on the direction of the Ortega government suggests that the Ortega government has three major policy options: impose its direct democracy construct even though the majority of Nicaraguans reject it; convoke a consultative assembly with the support of the PLC; or, continue operating on the fringes of the law. We expect that President Ortega will draw on all three of these arrows in his quiver as it suits him. To the good, unlike Chavez, however, Ortega does not enjoy the support of the majority of his people, and the opposition has resisted (at times, rather wanly) the GON's efforts to "blitzkrieg" its direct democracy concept. Notwithstanding this opposition, Ortega will likely continue to test his legal limits and skirt the law through presidential decrees. He also may call for a consultative assembly, the apparent new weapon of choice of the region's authoritarian, neo-populists. But remember -- Ortega's prime directive is to consolidate power and extend FSLN control over the GON for the foreseeable future. He will only try to fill his campaign promises of social investment, full employment, and reconciliation to the extent that new programs contribute to goal number one.

Looking for Love in All the Wrong Places

¶10. (C) Ortega's deep ties to Venezuela and Cuba are painfully obvious. Chavez dominated his inaugural circus. After Ortega paid a semi-secret visit to Caracas on February 23, he returned feistier than ever. Venezuelan technicians are already semi-embedded in several ministries. Ortega heaps nothing but praise on Venezuelan and Cuban assistance, most recently hosting the Cuban Minister of Culture, but belittles or downplays our programs. He has denounced our counternarcotics support as "mere crumbs" and makes scant mention of our New Horizons program, currently constructing clinics and schools for poor Nicaraguans. Talk of "thousands" of Cuban and Venezuelan teachers and doctors abound. We hear that the FSLN is touting a Cuban-sponsored literacy campaign and a Venezuelan-funded light bulb exchange program to "spread the word" in rural, predominantly "Liberal" bastions of the country that we have abandoned Nicaragua and only Ortega and his allies can alleviate hunger and poverty. There is no doubt where Ortega's heart lies, but even though Chavez will never deliver on all his lofty promises, by the time the Nicaraguan people understand that, their country's democracy and economy may be lying in tatters.

Our Policy - Avoiding Minefields and Helping our Friends

¶11. (C) During our early calls on the government, we have carefully laid out for the new ministers our willingness to continue with our assistance programs and circled in red for them those issues, which if not approached correctly, could seriously damage bilateral relations. They have been amply forewarned, for example, of the need for progress on such subjects as confiscated property resolutions and trafficking in persons (TIP) programs. Whether they choose to

deliberately step on those mines is another question, but some of the early signs are not encouraging. We are no longer receiving counternarcotics information in advance of seizures, and information sharing from airport authorities has taken a downturn. Some government employees associated with us have been dismissed or sidelined. Growing anti-American sentiment has surfaced in a tourist spot frequented by U.S. retirees and tourists. Ortega's recent speech before the National Police included a Chavez-like suggestion that even U.S. presidents have been involved in narcotrafficking and that the U.S. and its decaying society are responsible for many of the ills of the region.

¶12. (C) The most telling evidence of Ortega's true intentions vis-a-vis the United States is his leaked administration's communications plan. Reportedly drafted by Ortega's wife in her role of communications and citizenship council coordinator, the strategy recognizes that the Nicaraguan government's relationship with the United States is sensitive, not only for economic considerations, but also because Nicaraguans associate their own stability and security with the United States. Thus, the Ortega administration must convey a permanent image of desiring a policy of openness and close ties with the United States and should avoid falling into a cold war reflexively anti-American position. At the same time, the document calls for using the media to oppose the Bush government, while welcoming U.S. investors.

¶13. (C) Unless he is checked, we expect Ortega will lead Nicaragua along the path of Venezuela, governing by decree and co-opting or squelching any opposition to his plan, as has his self-described "twin" Hugo Chavez. If Ortega is systematically singling out his perceived enemies for early intimidation, we have to be equally strategic and quietly single out our friends for support now and through the 2011. Our potential allies include the democratic political parties, the National Assembly (the only non-FSLN-controlled political game in town), academic institutions, the free press, a limited number of NGO's (the FSLN controls the lion's share), some non-Sandinista unions, and the ever-opportunistic and institutionally territorial police and army.

¶14. (C) We must take measures to bolster those elements that can best stop him before he lulls the majority of the Nicaraguan people into complacency or threatens them into silence. Without our support, our democratic-minded friends are likely to falter. We need additional funds over the next four years to keep our place at the table and help Nicaraguans keep their country on a democratic path -- approximately \$65 million above our recent past base levels over the next four years -- through the next Presidential elections to make this work. We ask Washington to consider finding the means to support the following initiatives:

--Increase AID democracy monies, roughly an additional \$4 million per year, to back political party strengthening, the media and democratically minded NGO's.

--\$250,000 per year to create a Legislative Exchange and Training Program for democratic forces and committees in the National Assembly.

--Allocations of an additional \$2 million per year of AID funds in small infrastructure projects at the municipal level -- rebuilding schools, improving water systems, restocking clinics, providing zinc roofing for housing, et al -- the kind of work that Nicaraguans prize.

--Consider changing MCC legislation to allow nations like Nicaragua to sign concurrent compacts, with an eye towards replicating what we are doing in Leon and Chinandega in the politically sensitive northern departments.

--\$250,000 per year for a PD-managed "rapid response" Democracy Fund to deliver small, flexible grants on short notice to groups engaging in critical efforts that defend

Nicaragua's democracy, advance our interests, and counter those who rail against us.

--\$500,000 to establish and run five new American Corners Centers with integrated internet "cafes" in strategic areas of the country.

--\$500,000 per year for a Public Awareness Fund to provide air time and column space so the scope of our and our allies' activities and positions on issues will be made known to the public, and to enhance the technical capabilities of friendly radio stations, especially in rural areas.

--\$500,000 per year for a comprehensive PR campaign to "brand" our contributions to the Nicaraguan people. Efforts will include promoting our "CAFTA Alliance", establishing an "Alliance America" campaign for U.S.-affiliated NGOs, establishing a Nicaragua-American Friendship Association, and producing and disseminating promotional material for all MCA projects (flags, banners, etc.).

--\$2.5 million/year for INL programs to assist and engage further with the Nicaraguan Army and Police in their efforts to effectively enforce laws and combat terrorism; corruption; narcotics; transnational crime and trafficking in arms, people, and dangerous/illegal materials and substances; and, the emergence of gangs. Support would include our RLA program.

--The appointment of an in-country DHS agent, to keep an eye on suspicious migrant and customs activity.

--\$1 million in FMF for light spotter aircraft and \$9 million in FMF to help the Army recondition its helo fleet with Czech help over the next two years.

--Approximately \$2 million per year of Southcom Humanitarian Team support to construct schools and clinics, and provide Medretes in impoverished areas of the country and possibly Seabees to pave 50 kilometers of road from Bluefields to Nuevo Leon in Nuevo Guinea to improve the quality of life and help counternarcotics and other law efforts in a vulnerable region of the country.

--\$2 million to assist our struggling binational center to construct new facilities and improve relations between the American and Nicaraguan peoples.

--\$2 million in scholarship monies for English language and career training at Ave Maria College and other institutions over the next four years.

--\$1 million to enhance INCAE's infrastructure and increase free market-based economic research.

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